



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO

AQOE

October 23, 1997

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES

SUBJECT: DCMC Memorandum No. 98-004, Implementation of Management Reform
Memorandum No. 5 (MRM #5), Disposal of Excess Government-Owned
Property (TASKING)

This is a TASKING memorandum effective immediately and ending December 31, 1999. Target Audience: Contract Administration Office (CAO) Commanders, Property Administrators (PAs), Plant Clearance Officers (PLCOs), Administrative Contracting Officers.

MRM #5 directed the Defense Contract Management Command (DCMC), in conjunction with the Military Departments and Defense Agencies, to develop a plan to determine what Government property in the possession of defense contractors is no longer needed, and to dispose of all excess property by January 1, 2000. Under Secretary of Defense (Acquisition & Technology) (USD(A&T)) Memorandum dated September 25, 1997, which was previously provided to you, outlined this plan. The purpose of this memorandum is to provide further implementing guidance for DCMC PAs and PLCOs.

The implementation plan for MRM #5 focuses on 1,297 prime contracts having over \$3 million of DoD accountable property (equipment, special test equipment, special tooling and material). This criteria captured over 90 percent of the total acquisition cost of DoD property within this relatively small percentage of contracts. DCMC administers 1,046 of these contracts at 347 prime contractor locations. A list of these contracts, sorted by CAO, was provided by your District property management specialist. Successful implementation of this plan will require significant efforts of contractors, PAs and PLCOs.

Contractors are required to identify excess or underutilized Government property, prepare inventory schedules, and submit them to their cognizant PLCO. Special designators of "Excess Due to Review" or "Underutilized" will be marked on these inventory schedules to identify them as MRM # 5 contracts. For purposes of MRM #5, underutilized property is defined as *Government property in the possession of contractors that is used less than ten percent of available time on Government contracts, there is no*

known Government requirement supporting greater usage, and the item is available from other sources.

A primary area of attention in FY 98 for PAs is to ensure that contractors identify and report unneeded property. All of the 347 contractors identified will be subject to intensive utilization reviews in FY 98. In order to provide our customers with sufficient time to make disposal/retention decisions, these utilization reviews require completion by June 30, 1998. PAs are directed to adjust property control system analysis schedules accordingly. Although the following guidelines apply to PAs who are administering one or more of the 1,046 contracts subject to MRM #5, PAs will examine the utilization of property and the disclosure of excess property during all standard property control system analyses performed in FY 98.

When performing the utilization reviews, PAs shall follow the provisions of DoD 4161.2-M, DoD Manual for the Performance of Contract Property Administration, and DLAD 5000.4, Contract Management One Book. They are also reminded of the policies at paragraphs 45.502(g) and 45.509-2 of the Federal Acquisition Regulation that require contractors to promptly report all property in excess of the amounts needed for contract performance and to establish minimum levels of utilization for facilities and to record authorized and actual use. A review of contractors' property control procedures is required by all PAs in order to determine their adequacy for identifying and reporting excess property (both at the prime and subcontractor locations) as well as the sufficiency of scrap procedures. Procedures that are deficient must be quickly corrected.

In performing the utilization reviews, PAs shall use separate populations for plant equipment having an acquisition value less than \$5,000 and for plant equipment having an acquisition value more than \$5,000. Special tooling and special test equipment may be combined in one population at the prerogative of the PA. A separate population will be reviewed for material. If a contractor has one or more of the MRM #5 contracts, an additional utilization review will be performed only for property accountable to those contracts. Populations reviewed will be the same as for the normal utilization review. However, the use of purposeful sampling for the property accountable to the MRM #5 contracts is strongly encouraged.

PAs should be alert to idle property found during the analysis and query the contractor regarding the reason for its continued retention. Existing memoranda from contracting officers or program managers or other documentation justifying continued retention of excess or underutilized property does not constitute sufficient retention authority. Unless that property is accountable to a direct-funded storage contract, direction should be given to the contractor to place it on inventory schedules and submit them to the cognizant plant clearance officer. If the utilization review discloses weaknesses in the contractor's performance in identifying and reporting excess property, aggressive corrective actions must be pursued.

PLCOs will be required to follow new reporting requirements. Procedures followed by PLCOs for opening plant clearance cases under MRM #5 have been revised. Inventory schedules marked as "Excess Due to Review" will be opened as plant clearance cases and will be screened with the procuring contracting officer (PCO). A Standard Form 120 is not required for this screening action. Instead, the PLCO will prepare a letter (Attachment 1) with two copies of the inventory schedule attached, along with a copy (if available) of the letter furnished by the contractor indicating the Government official who directed the retention of the excess items. A copy of this package will also be sent to the Government official requesting the retention and to the inventory control point. USD(A&T) memorandum referenced above allows PCO screening for 60 days. If no response is received within 45 days, the PLCO will initiate followup action. Ensure all pertinent information, i.e., name, address, telephone number and email address, is provided to the PCO to ensure response. The PLCO will proceed with the disposal process if no response is received in 60 days. The PLCO should send a final letter to notify all parties involved that you are continuing with the disposal process. If the PCO indicates a direct-funded storage contract is imminent, the plant clearance case remains open until the contract is received.

For inventory schedules marked "Underutilized," a plant clearance case will not be opened. Each CAO must maintain a log for underutilized schedules/listings. Upon receipt of the inventory schedules/listings from the contractor, the PLCO will send a letter (Attachment 2) with two copies of the inventory schedule/listing to the PCO requesting a disposition determination. If the PCO determines the item to be excess, the PLCO opens a plant clearance case and continues with the disposal process.

Not all inventory schedules under these selected contracts will result from the special review and should not be classified as such. They occur through the normal plant clearance process. These inventory schedules, not marked by the contractor as "Excess Due to Review" or "Underutilized," will be handled in accordance with current procedures. The MRM # 5 screening procedures will not apply.

To closely monitor the disposition progress of this special review, the DCMC Automated Disposition System (DADS) reporting information will be modified. Beginning October 1, 1997, all inventory schedules received from the selected contracts will be opened in the DADS as Case Type "P" and as Schedule Type "1342." The definition of Case Type "P," production equipment is no longer valid. The new definition for Case Type "P" is: *any inventory schedule received from the selected contracts under MRM #5*. The definition of Schedule Type "1342" is no longer valid. The new definition of Schedule Type "1342" is: *any inventory schedule received from the selected contracts under MRM #5*.

We are committed to successfully implementing MRM #5, and believe that resolving the long-standing issue of unneeded property in the possession of contractors will result in a significant overall streamlining of the property management process. One of the goals under MRM #5 is to increase disposition by 20 percent for fiscal years 98 and 99. Only through the PAs' diligent review of the utilization process and the PLCOs' accurate record keeping and prompt disposal action will this goal be achieved. I recommend that CAO Commanders make the assessment of progress on MRM #5 a regular agenda item at Management Council meetings. Your strong support for this initiative is critical to our success. Please direct any property administration questions you have to Paul Farley, Property, Closeout, and Terminations Team (AQOE), on DSN 427-2443 or (703) 767-2443, internet address: paul_farley@hq.dla.mil or any plant clearance questions to Janice Hawk, AQOE, on DSN 427-3433 or (703) 767-3433, internet address: janice_hawk@hq.dla.mil.



TIMOTHY P. MALISHENKO
Brigadier General, USAF
Commander

Attachments

SAMPLE LETTER TO PCO FOR "Excess Due To Review"

SUBJECT: Management Reform Memorandum #5

The attached inventory schedule(s) were received as the result of the Disposition Review Plan for Government Property in the Possession of Contractors included as an attachment to the Acting Under Secretary of Defense (Acquisition and Technology) Memorandum dated September 25, 1997. Also attached is a letter from _____ indicating that the contractor was to hold this inventory.

Your screening completion date (SCD) is _____. Please provide, before the SCD, either shipping instructions, instructions to the Plant Clearance Officer (PLCO) to continue with the disposal process or your indication that a fully funded storage contract is being written. After the storage contract is signed, please forward a copy to the PLCO so that the plant clearance case can be closed. If no response is received by the SCD, the PLCO will continue with the disposal process.

If you have any questions, please call _____ at () , DSN or email

PLANT CLEARANCE OFFICER

Attachment

SAMPLE LETTER TO PCO FOR "Underutilized"

SUBJECT: Management Reform Memorandum #5

The attached inventory schedule(s) were received as the result of the Disposition Review Plan for Government Property in the Possession of Contractors included as an attachment to the Acting Under Secretary of Defense (Acquisition and Technology) Memorandum dated September 25, 1997.

Please provide shipping instructions to the Plant Clearance Officer (PLCO) if the items can be utilized to a greater degree elsewhere. If you determine the item to be excess, inform the PLCO to continue with the disposal process. Inform the PLCO if the item has a valid need even though it is underutilized.

If you have any questions, please call _____ at () , DSN or email

PLANT CLEARANCE OFFICER

Attachment